

SEC. 74. Section 14684.1 is added to the Welfare and Institutions Code, to read:

14684.1. (a) The State Department of Mental Health shall establish a process for second level treatment authorization request appeals to review and resolve disputes between mental health plans and hospitals.

(b) When the department establishes an appeals process, the department shall comply with all of the following:

(1) The department shall review appeals initiated by hospitals and render decisions on appeals based on findings that are the result of a review of supporting documents submitted by mental health plans and hospitals.

(2) If the department upholds a mental health plan denial of payment of a hospital claim, a review fee shall be assessed on the provider.

(3) If the State Department of Mental Health reverses a mental health plan denial of payment of a hospital claim, a review fee shall be assessed on the mental health plan.

(4) If the department decision regarding a mental health plan denial of payment upholds the claim in part and reverses the claim in part, the department shall prorate the review fee between the parties accordingly.

(c) The amount of the review fees shall be calculated and adjusted annually. The methodology and calculation used to determine the fee amounts shall result in an aggregate fee amount that, in conjunction with any other outside source of funding for this function, may not exceed the aggregate annual costs of providing second level treatment authorization request reviews.

(d) Fees collected by the department shall be retained by the department and used to offset administrative and personnel services costs associated with the appeals process.

(e) The department may use the fees collected, in conjunction with other available appropriate funding for this function, to contract for the performance of the appeals process function.